

Turnstone Equityco 1 Limited

Directors' report and consolidated financial
statements

Registered number 07496756

Year ended 31 March 2013

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Directors' report for the year ended 31 March 2013

The directors present their report and the audited consolidated financial statements of Turnstone Equityco 1 Limited for the year ended 31 March 2013.

Principal activities

The principal activity of the company during the year was to act as a holding company. The principal activity of the group of companies owned by Turnstone Equityco 1 Limited ('the group') is the operation of dental practices.

The group provides a range of National Health Service ('NHS') and private dental services from practices located in England, Wales and Scotland.

Business ownership

The IDH group is jointly owned by The Carlyle Group ('Carlyle') and Palamon Capital Partners ('Palamon').

Founded in 1987, Carlyle is one of the world's largest alternative asset managers. Palamon, founded in 1999, is an independent private equity partnership focused on providing equity for European growth services companies.

Carlyle and Palamon have joint control of IDH. Carlyle's majority holding is owned by CEP III Participations S.à.r.l. SICAR, an investment vehicle for Carlyle. Palamon's ownership of the group is through its fund Palamon European Equity II, L.P. As at 31 March 2013, senior managers held 15.5% of the equity interest in the company.

The equity funding is split between preference and ordinary share capital, with the ordinary capital being designated 'A1', 'A2' and 'B' for ownership identification. 'A1' ordinary shares have a nominal value of £0.01, 'A2' and 'B' ordinary shares have a nominal value of £0.04.

Ownership Structure

Number of shares (% of total)	Management		Carlyle		Palamon		Total	
'A1' Ordinary ('000)	-	-	1,282	64.4%	400	20.1%	1,682	84.5%
'A2' Ordinary ('000)	18	0.9%	-	-	-	-	18	0.9%
'B' Ordinary ('000)	291	14.6%	-	-	-	-	291	14.6%
Total	309	15.5%	1,282	64.4%	400	20.1%	1,991	100.0%

Business review

The 15 month period ended 31 March 2012 includes 11 months of trading activity following the acquisitions of the Integrated Dental Holdings ('IDH') chain of dental practices and the merger of operations with the dental practices owned by ADP Healthcare Services Limited ('ADP') on 11 May 2011.

Consolidated profit and loss account

Turnover for the year ended 31 March 2013 amounted to £349.0 million (15 month period ended 31 March 2012: £309.9 million) and profit on ordinary activities before interest and taxation was £10.9 million (period ended 31 March 2012: £3.8 million).

After charging goodwill amortisation of £29.3 million (period ended 31 March 2012: £26.8 million), depreciation of £11.8 million (period ended 31 March 2012: £11.2 million) and crediting the amortisation of grant income of £0.7 million (period ended 31 March 2012: £0.7 million), earnings before interest, tax and exceptional items ('EBIT before exceptional items') was £15.9 million (period ended 31 March 2012: £15.1 million).

The group's key profit performance indicator is earnings before interest, tax, depreciation, amortisation and exceptional items ('EBITDA before exceptional items'). For the year ended 31 March 2013 EBITDA before exceptional items was £56.3 million (period ended 31 March 2012: £52.3 million).

Finance expenses of £70.3 million (period ended 31 March 2012: £57.6 million) and the loss arising from the disposal of seven dental practices of £3.6 million (period ended 31 March 2012: loss of £3.6 million from the disposal of five practices) results in a loss on ordinary activities before tax of £59.4 million (period ended 31 March 2012: £53.8 million). The loss on ordinary activities after tax for the year amounts to £57.5 million (period ended 31 March 2012: £51.6 million).

Directors' report for the year ended 31 March 2013 (continued)

Business review (continued)

Consolidated balance sheet

Goodwill and intangible assets amount to £558.0 million (2012: £543.8 million) and arose from the acquisition of the Integrated Dental Holdings and Associated Dental Practices groups in May 2011 together with the acquisition of further dental practices over the past two years. Fixed assets of £68.2 million (2012: £61.0 million) include £15.6 million (2012: £13.5 million) of additions during the year resulting from upgrades to the group's dental practices, equipment and facilities.

Borrowings amounted to £738.7 million (2012: £638.8 million). This is comprised of £288.1 million (2012: £249.6 million) of senior debt facilities, £406.5 million (2012: £348.1 million) of 12% loan notes, £14.8 million (2012: £7.6 million) of 15% loan notes and £29.3 million (2012: £26.1 million) of preference shares, including interest and accrued dividends of £82.8 million (2012: £36.4 million). Some £7.5 million of 4% loan notes, including accrued interest of £0.4 million, were redeemed during the year.

Consolidated cash flow statement

The net cash inflow from operating activities of £53.8 million (period ended 31 March 2012: £35.1 million) reflects the strong cash generation properties of the group.

After the servicing of external finance costs and the cash flows associated with the acquisition of further practices during the year, the closing cash balance was £42.5 million (2012: £19.0 million). This cash balance reflects the drawdown of acquisition financing through debt facilities and loan notes in advance of a number of large acquisitions made during the first week of April 2013.

Proposed dividend

The directors are unable to recommend the payment of a dividend for the year (period ended 31 March 2012: £nil).

KPIs – financial and non-financial

The KPIs set out in the table below are fundamental to the business and reflect focus on the drivers of value that will enable and inform the management team to achieve the business plans, strategic aims and objectives.

Financial KPIs		
£m, period ended March	12 months 2013	11 months 2012
NHS revenue	305	273
Private revenue	44	37
Total revenue	349	310
Gross profit	165	146
EBITDA before exceptional items	56	52
Net bank debt	288	250
Net cash inflow from operating activities	54	35
Net cash inflow after returns on investment & servicing of finance (excluding one off issue costs of £22m in 2012)	34	19
Employees (average number)	4,931	4,720
Number of practices	532	497
£m, period ended March	12 months 2013	12 months 2012
Total UDAs delivered (million)	10.6	10.4
Total UOAs delivered (million)	0.3	0.3
Compliments / complaints ratio	1:0.14	1:0.06

- (1) UDA – Units of Dental Activity, measures set by the PCT as part of the contract terms.
- (2) UOA – Units of Orthodontic Activity, measures set by the PCT as part of the contract terms.
- (3) Employees – excluding self-employed dentists.
- (4) The comparative period for UOA/UDA delivery is based on the 12 months to March 2012 to include the full NHS contract year.

Directors' report for the year ended 31 March 2013 *(continued)*

Business review *(continued)*

The group owns and manages a national chain of dental practices, with 532 sites at 31 March 2013 (2012: 497). In common with the majority of dental practices in the UK, the group's practices offer a mixture of NHS and private treatment to patients. With around 87% of its revenue coming from NHS contracts (2012: 88%), the group is the largest provider of NHS dentistry in the UK.

The main trading entities of the group are Petrie Tucker and Partners Limited, Whitecross Dental Care Limited and ADP Dental Company Limited. The business has continued to grow during the year through a mixture of corporate and practice acquisitions.

The group's revenue during the year was principally derived from long-term fixed value contracts with local NHS Primary Care Trusts ("PCTs"). In addition the group has variable income streams based on treatment provided to patients under private contract and to NHS patients in Scotland. Provided the group achieves certain performance related criteria, the fixed-income nature of the contracts in England and Wales provides the group with stability and visibility over its revenue and profit streams. The changes to the structure of the NHS do not affect the underlying contracts for dentistry services.

During the year to 31 March 2013, the group acquired 49 practices, opened 2 greenfield sites, merged 9 practices and successfully completed the disposal of 7 practices, 6 of which were required following the OFT's approval for the merger of IDH and ADP in 2011.

Principal risks & uncertainties

Revenue risks

Regulatory risks

The results of the group are impacted by the regulatory environment related to health and safety, quality of care and data protection, principally through the costs related to compliance. The group's practices are subject to regular review by the Care Quality Commission ("CQC") and can be closed if compliance with CQC guidelines cannot be demonstrated. As the leading provider of dental services in the United Kingdom, the group is well placed to respond to and comply with regulatory changes through dedicated regulatory and compliance teams.

NHS contract

The NHS contract for the dentist in England and Wales, introduced in April 2006, provides clear benefits to the group, both in terms of income visibility and dentist retention. However, as with any system, there are likely to be modifications to it, potentially through the introduction of a new contract structure. The extent of such modifications and the impact which they may have on the group, either in a favourable or adverse manner are not known. However, IDH seeks to maintain a close dialogue with the Government in developing the new contract and is currently involved in nine new contract pilots to ensure that the business is well prepared for any future changes.

Clinicians

The group requires skilled clinicians in order to care for its growing patient base. The expansion of the EU over recent years and the increased capacity of UK dental schools have increased the supply of clinicians available to the group. The improved supply, coupled with the fixed nature of dentist's contracts has improved the retention of dentists within the group. The directors recognise the importance of quality clinicians for ensuring the continued success of the group. The group manages the risk associated with the supply of clinicians through training and development programmes to enhance retention and a recruitment strategy to ensure that the growth in patient numbers can be treated. The group has invested in its own training resource, the IDH Academy, which will open on 29 May 2013 with an accompanying on-line training system.

Directors' report for the year ended 31 March 2013 *(continued)*

Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework. The group's activities expose it to a variety of financial risks: credit risk, liquidity risk, market (including currency and interest rate risk) and inflation risk.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

Credit risk

Credit risk is the risk of financial loss to the group if a customer fails to meet its contractual obligations. The nature of the group's contracts with PCTs means that credit risk is minimised for a significant proportion of group revenue. The patient's contribution to NHS charges is usually collected before treatment in order to minimise risk to the group. Payment is also requested in advance for major courses of private treatment. Cash deposits are held with institutions with a minimum credit rating of BBB (Standard and Poor's) or Baa (Moody's).

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without unacceptable losses or risking damage to the group's reputation.

The group regularly monitors its cashflow forecasts and currently maintains funds on demand to meet all operational expenses including the servicing of financial obligations. The group's bank facilities are disclosed in note 17 of the financial statements.

Market risk

Market risk is the risk that changes in foreign exchange rates and interest rates will affect the group's income.

The group has limited currency risk as all operations are carried out in the United Kingdom and all income, expenses and facilities are denominated in Sterling. However, as materials are sourced by suppliers internationally, the group is indirectly exposed to currency risk as suppliers adjust their UK price lists for changes in international material prices. This risk is managed through competitive tendering for the group's significant supply contracts.

Under the terms of the group's facility agreement, at least 66% of the exposure to changes in interest rates on borrowings was required to be fixed. The group entered into two fixed interest rate contracts totalling £215 million in 2011, representing 71% of total drawn debt in compliance with the requirements of the agreement (2012: 78%). Further details are set out in note 17.

Inflation risk

Inflation risk is the risk that the cost of key services and products procured by the group will rise with inflation and affect the group's income.

The group undergoes a regular review of key suppliers through its procurement programme to mitigate cost increases, using tendering processes where possible. In addition, the group seeks to rationalise its supplier base to benefit from its scale.

Employees

The group is an equal opportunities employer and does not discriminate between employees on the grounds of race, ethnic origin, age, sex or sexual orientation.

Applications for employment from disabled persons are given full and fair consideration with regard paid only to the ability of candidates to carry out satisfactorily the duties of the job. Should an existing employee become disabled, every effort is made to ensure continuing employment with retraining arranged where necessary. Disabled persons share in the opportunities for career development and promotion while training takes account of any special needs.

Briefing and consultative procedures exist throughout the group to inform employees on matters of concern to them, the financial and economic performance of their business units and to provide opportunities for comment and discussion.

Directors' report for the year ended 31 March 2013 *(continued)*

Outlook & strategy

Whilst the market continues to be challenging for dentistry in the UK, with the pressures on NHS funding and consumer spending, the directors believe that the group continues to be well positioned to take advantage of further opportunities. In particular, the group will continue to focus on delivering growth through:

- delivering high quality care and promoting the highest clinical standards;
- optimising delivery of its existing NHS contracts;
- exploring opportunities to tender for new contracts;
- diversifying our revenues through new initiatives in private dentistry;
- implementing improved systems and processes to increase efficiency and oversight;
- investing in the equipment and buildings of our practice estate; and
- growing our portfolio through new practice acquisitions.

Post balance sheet events

On 2 April 2013, the group acquired eight orthodontic practices and two dental laboratories through the acquisition of 100% of the share capital of DH Dental Holdings Limited.

On 16 April 2013, the group, through a newly formed subsidiary, Healthcare Buying Group Limited, acquired 94.02% of the issued share capital of DBG Topco Limited, the parent company of DBG (UK) Limited, a leading dental services provider.

In addition, to the date of this report, the group has acquired a further 16 dental practices.

Directors

The directors who held office during the year and to the date of this report were as follows:

J Bonnavion	
J Heathcote	
E Kump	
P Pindar	(Appointed 2 July 2012)
M Robson	(Appointed 2 July 2012)
R Smith	(Appointed 2 July 2012)
A Stirling	

The directors benefitted from qualifying third party indemnification provisions in place during the financial year and to the date of this report. The group also provided qualifying third party indemnity provisions to certain directors of subsidiary companies during the financial year and to the date of this report.

Directors' report for the year ended 31 March 2013 *(continued)*

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Political and charitable contributions

The company made no political or charitable contributions during the year (period ended 31 March 2012: £nil).

Policy and practice on the payment of creditors

It is the group's policy in respect of all suppliers, including self-employed dentists, to agree payment terms in advance of the supply of goods and to adhere to those payment terms.

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This statement is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

By order of the Board



E McDonald
Company Secretary
15 May 2013

Europa House
Stoneclough Road
Kearsley
Manchester
M26 1GG

Independent auditors' report to the members of Turnstone Equityco 1 Limited

We have audited the group and parent company financial statements (the "financial statements") of Turnstone Equityco 1 Limited for the year ended 31 March 2013 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2013 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

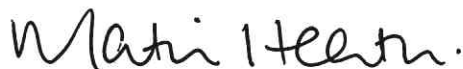
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Martin Heath (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
15 May 2013

Consolidated profit and loss account
for the year ended 31 March 2013

Note

	Note	Year ended 31 March 2013			15 month
		Acquisitions £'000	Continuing operations £'000	Total £'000	period to 31 March 2012 £'000
Turnover	2	10,457	338,495	348,952	309,865
Cost of sales		(4,950)	(178,558)	(183,508)	(164,226)
Gross profit		5,507	159,937	165,444	145,639
Other operating income		62	1,750	1,812	1,803
Administrative expenses		(4,638)	(148,124)	(152,762)	(140,091)
Operating profit	3	931	13,563	14,494	7,351

Analysed as

EBITDA before exceptional items	2,920	53,414	56,334	52,312
Depreciation	(157)	(11,658)	(11,815)	(11,196)
Amortisation of goodwill	(1,849)	(27,480)	(29,329)	(26,803)
Amortisation of grant income	17	649	666	749
Exceptional items - integration costs	-	(1,362)	(1,362)	(7,711)
Operating profit	931	13,563	14,494	7,351

Loss on disposal of assets	6		(3,631)	(3,533)
Profit on ordinary activities before interest and taxation			10,863	3,818
Interest receivable and similar income	7		37	30
Interest payable and similar charges	7		(70,279)	(57,627)
Loss on ordinary activities before taxation			(59,379)	(53,779)
Tax on loss on ordinary activities	8		1,908	2,211
Loss on ordinary activities after taxation			(57,471)	(51,568)
Equity minority interests			80	4
Loss for the financial year/period	21		(57,391)	(51,564)

The group has no material recognised gains and losses during the current year, or the previous period, other than those stated above and therefore no separate statement of total recognised gains and losses has been presented.

There were no differences between the historical cost profit and losses and the figures noted in the consolidated profit and loss account.

The notes on pages 12 to 38 form part of these financial statements.

Consolidated balance sheet
at 31 March 2013

	<i>Note</i>	2013		2012	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	10		557,994		543,790
Tangible assets	11		68,179		60,963
			<u>626,173</u>		<u>604,753</u>
Current assets					
Stock	13	6,238		5,727	
Debtors	14	28,578		24,873	
Cash at bank and in hand		42,516		19,019	
		<u>77,332</u>		<u>49,619</u>	
Creditors: amounts falling due within one year	15	<u>(65,951)</u>		<u>(61,427)</u>	
Net current assets/(liabilities)			<u>11,381</u>		<u>(11,808)</u>
Total assets less current liabilities			<u>637,554</u>		<u>592,945</u>
Non-current liabilities					
Creditors: amounts falling due after more than one year	16		729,625		624,725
Provisions for liabilities and charges	18		14,977		17,871
Minority interest - equity			(84)		(4)
			<u>744,518</u>		<u>642,592</u>
Capital and reserves					
Share capital	19	30		27	
Share premium account	20	1,961		1,890	
Profit and loss reserve	21	(108,955)		(51,564)	
Total shareholders' deficit	22		<u>(106,964)</u>		<u>(49,647)</u>
			<u>637,554</u>		<u>592,945</u>

The notes on pages 12 to 38 form part of these financial statements.

The financial statements were approved by the Board of Directors on 15 May 2013 and were signed on its behalf by:



M Robson
Director

Company balance sheet
at 31 March 2013

	<i>Note</i>	2013	2012
		£'000	£'000
Fixed assets			
Investments	12	-	-
Current assets			
Debtors	14	2,433	9,411
Creditors: amounts falling due within one year	15	(3)	-
Total assets less current liabilities		2,430	9,411
Non-current liabilities			
Creditors: amounts falling due after more than one year	16	-	7,296
Capital and reserves			
Share capital	19	30	27
Share premium reserve	20	1,961	1,890
Profit and loss reserve	21	439	198
Total shareholders' funds	22	2,430	2,115
		2,430	9,411

The notes on pages 12 to 38 form part of these financial statements.

The financial statements were approved by the Board of Directors on 15 May 2013 and were signed on its behalf by:



M Robson
Director

Consolidated cash flow statement
for the year ended 31 March 2013

	<i>Note</i>	Year ended 31 March 2013 £'000	15 month period to 31 March 2012 £'000
Net cash inflow from operating activities	26	53,818	35,116
Returns on investments and servicing of finance	27	(19,515)	(38,661)
Net cash inflow/(outflow) after returns on investment & servicing of finance		34,303	(3,545)
Taxation		(336)	-
Capital expenditure	27	(14,467)	(12,018)
Acquisitions and disposals	27	(45,623)	(588,479)
Net cash outflow before financing		(26,123)	(604,042)
Financing	27	49,620	623,061
Increase in cash in the financial year/period	29	23,497	19,019

The notes on pages 12 to 38 form part of these financial statements.

Notes to the financial statements (forming part of the financial statements)

1 Accounting policies

Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with applicable United Kingdom accounting standards and the Companies Act 2006.

A summary of the more important group accounting policies, which have been applied on a consistent basis with the prior period, is set out below.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 2013. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings or dental practices acquired or disposed of in the financial year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Profits and losses on intragroup transactions have been eliminated on consolidation.

Turnover

Turnover represents the income received in the ordinary course of business for dentistry goods or services provided to the extent that the group has obtained the right to consideration. Turnover derived from NHS contracts in England and Wales is recognised on the volume of dental activity delivered in the financial year. Turnover from all private dental work and NHS patients in Scotland is recognised on the completion of each piece of treatment carried out, with the exception of orthodontic treatment, which is recognised based on the stage of completion reached during the course of treatment.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration and associated costs over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life, which is 20 years, being the period over which the group expects to benefit from the assets acquired. The carrying value of goodwill is evaluated when there is an indicator of impairment. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

In calculating the goodwill, the total consideration, both actual and deferred, is taken into account. Where the deferred consideration is contingent and dependent upon future trading performance, an estimate of the present value of the likely consideration payable is made. This contingent deferred consideration is re-assessed annually and corresponding adjustment is made to the goodwill arising on acquisition.

On the subsequent disposal or termination of a business acquired, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

Investments

Investments held as fixed assets are stated at historic purchase cost less amounts written off for impairment.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. The cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset less expected residual value over its expected useful life on a straight line basis as follows:

Freehold and long leasehold buildings	-	50 years
Leasehold improvements	-	Over the shorter of the term of the lease or the asset's useful life
Fixtures, fittings and equipment	-	4-10 years

Where the residual value of an asset is material it is reviewed at the end of each financial year, to ensure that it has been depreciated on an appropriate basis.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Impairments of fixed assets and goodwill

Impairment write downs are recognised in the profit and loss account when the book value of the asset is higher than the higher of the net realisable value of the asset or the value in use.

The value in use of assets is calculated using discounted forecast cash flows linked to the asset or income generating unit.

Stock

Stock is stated at the lower of cost and net realisable value (net realisable value is the price at which stocks can be sold after allowing for costs of realisation). In the case of raw materials and consumables, cost includes purchase price less trade discounts, transport and handling costs, calculated on an average price basis over the financial year. Provision is made for obsolete, slow moving and defective stock.

Taxation

The charge for taxation is based on the results for the financial year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Cash

Cash for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions

The group operates a stakeholder defined contribution pension scheme, to which the group makes no contributions on behalf of its employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

The group also operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group. Contributions to the scheme are charged to the profit and loss account as incurred. The amounts for other finance income and the actuarial loss arising from the actual and expected return on assets and the changes in assumptions underlying the present value of scheme liabilities have not been recognised in the profit and loss account and the statement of total recognised gains and losses on the grounds of materiality, but are disclosed in note 25.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Government grants

Grants received to assist with the purchase of tangible fixed assets are credited to deferred income and are amortised over a period to match the life of the asset acquired. Revenue grants are recognised in the profit and loss account in the financial year in which they are received.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a discount rate which reflects current market assessments of the time value of money. The increase in the provision due to the passage of time is recognised as an interest expense.

Issue costs on bank loans and related fees

Issue costs related to bank loans are amortised over the term of the loan at a constant rate on the carrying amount.

Partnerships

Certain members of the group management team act as partners on behalf of group companies in a number of dental practice partnerships. These partnerships are held on trust on behalf of a number of group companies. All profits arising from partnership activity are transferred to a group trading company.

As a result, the group considers that it has control of these partnerships and consequently the results of the partnerships are consolidated into the group's financial statements. The partnerships are accounted for in accordance with the group's accounting policies.

Minority interests

Equity minority interests represent the share of the profits less losses on ordinary activities attributable to the interests of equity shareholders in subsidiaries which are not wholly owned by the group.

Preference shares

Preference shares which are redeemable on a specific date are classified as liabilities. The dividends on these preference shares are recognised in the profit and loss account as an interest expense.

Notes to the financial statements *(continued)*

2 Segmental analysis

The turnover, loss on ordinary activities before taxation and net liabilities of the group relate to its principal activity of dental services. All services are provided in the United Kingdom.

3 Operating profit

	Year ended 31 March 2013 £'000	15 month period to 31 March 2012 £'000
<i>Operating profit is stated after charging/(crediting):</i>		
Depreciation – owned assets	11,815	11,196
Amortisation of goodwill	29,329	26,803
Operating lease rentals: plant and machinery	666	481
Operating lease rentals: land and buildings	9,644	8,737
Other operating income	(1,812)	(1,803)
Amortisation of grant income	(666)	(749)
Exceptional items - integration costs	1,362	7,711
	<u> </u>	<u> </u>

Other operating income

Additional income to assist in the upkeep of premises is received from Scottish health boards and is based on the proportion of NHS treatment carried out by a dental practice. Income is also received from property rentals.

Integration costs

Following the merger of the IDH and ADP businesses in May 2011, certain costs were incurred in bringing the two businesses together. These costs include the expenses incurred in closing the ADP head office, redundancy and compensation payments made to staff, legal and professional fees and consultancy fees.

Costs incurred during the year ended 31 March 2013 relate to redundancy payments to staff and legal and professional fees.

Auditors' remuneration

During the year, the group obtained the following services from the company's auditors and their associates:

	Year ended 31 March 2013 £'000	15 month period to 31 March 2012 £'000
Amounts receivable by the auditors and their associates in respect of:		
Fees payable to the company's auditors for the audit of the parent company and the consolidated financial statements	21	47
Fees payable to the company's auditors and their associates for other services: The audit of the company's subsidiaries	177	161
	<u> </u>	<u> </u>
	198	208
	<u> </u>	<u> </u>

Notes to the financial statements *(continued)*

3 Operating profit *(continued)*

In addition, the following services were received from the company's auditor and its associates in relation to the acquisitions of Pearl Topco Limited and ADP Healthcare Services Limited during the previous period. The fees were capitalised as part of the cost of these investments.

	Year ended 31 March 2013 £'000	15 month period to 31 March 2012 £'000
Amounts receivable by the auditors and their associates in respect of:		
Financial and commercial due diligence services	-	310
Tax advisory services	-	75
	<u>-</u>	<u>385</u>
	<u>-</u>	<u>385</u>

4 Employees

There were no persons employed by the company.

The average number of persons employed by the group (including directors) during the financial year was as follows:

	Year ended 31 March 2013 No of employees	15 month period to 31 March 2012 No of employees
Surgery staff	2,943	2,799
Administration staff	1,988	1,921
	<u>4,931</u>	<u>4,720</u>
	<u>4,931</u>	<u>4,720</u>

The staff costs of these persons were as follows:

	Year ended 31 March 2013 £'000	15 month period to 31 March 2012 £'000
Wages and salaries	66,849	57,487
Social security costs	4,602	4,234
	<u>71,451</u>	<u>61,721</u>
	<u>71,451</u>	<u>61,721</u>

Notes to the financial statements *(continued)*

5 Directors' remuneration

The directors received no emoluments from the company for their services during the year (period ended 31 March 2012: £nil).

	Group Year ended 31 March 2013 £'000	Group 15 month period to 31 March 2012 £'000
Directors' emoluments	748	-
Benefits in kind	21	-
	<hr/>	<hr/>
	769	-
	<hr/> <hr/>	<hr/> <hr/>

The emoluments received as directors of a group trading company in respect of the period ended 31 March 2012 are disclosed in the financial statements of Petrie Tucker and Partners Limited for R Smith and M Robson.

No directors accrued retirement benefits under money purchase or defined benefit pension schemes. Certain directors received no emoluments from the company for their services.

The aggregate of remuneration for the highest paid director was £407,000 (period ended 31 March 2012: £nil)

6 Loss on disposal of assets

	Group Year ended 31 March 2013 £'000	Group 15 month period to 31 March 2012 £'000
Profit on disposal of freehold properties	-	327
Loss on disposal/closure of practices	(3,630)	(3,593)
Loss on disposal of other tangible fixed assets	(1)	(267)
	<hr/>	<hr/>
	(3,631)	(3,533)
	<hr/> <hr/>	<hr/> <hr/>

During the year, the group disposed of six practices following an Office of Fair Trading review of the acquisitions of both IDH and ADP (period ended 31 March 2012: five). The group disposed of one further dental practice during the year.

Notes to the financial statements (continued)

7 Interest and similar items

	Group Year ended 31 March 2013 £'000	Group 15 month period to 31 March 2012 £'000
<i>Interest payable and similar charges</i>		
Bank loans and overdrafts	(14,264)	(12,695)
Fixed rate interest swap charges	(3,930)	(3,054)
Amortisation of issue costs of bank loans and related fees	(3,438)	(2,970)
Loan note interest	(43,711)	(34,471)
Preference share dividends	(3,130)	(2,525)
Other interest payable – unwinding of discount (note 18)	(353)	(408)
Syndicate charges	(1,453)	(1,504)
	<hr/>	<hr/>
Total interest payable and similar charges	(70,279)	(57,627)
<i>Interest receivable and similar income</i>		
Bank deposit interest	37	30
	<hr/>	<hr/>
Total interest receivable and similar income	37	30
	<hr/>	<hr/>
Net interest payable and similar items	(70,242)	(57,597)
	<hr/> <hr/>	<hr/> <hr/>

8 Tax on loss on ordinary activities

a) Analysis of tax credit for the financial year

	Group Year ended 31 March 2013 £'000	Group 15 month period to 31 March 2012 £'000
<i>Current tax</i>		
Corporation tax at 24% (period ended 31 March 2012: 26%)	-	-
	<hr/>	<hr/>
Total current tax charge for the year/period (note 8(b))	-	-
<i>Deferred tax</i>		
Deferred tax credit in the year/period	(2,304)	(2,491)
Adjustment in respect of the previous period	159	-
Effect of change in tax rate	237	280
	<hr/>	<hr/>
Total deferred tax credit for the year/period	(1,908)	(2,211)
	<hr/>	<hr/>
Tax credit on loss on ordinary activities	(1,908)	(2,211)
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)

8 Tax on loss on ordinary activities (continued)

b) Factors affecting the current tax credit for the financial year

The current tax credit for the financial year is lower (period ended 31 March 2012: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2013 of 24% (period ended 31 March 2012: 26%). The differences are explained below:

	Group Year ended 31 March 2013 £'000	Group 15 month period to 31 March 2012 £'000
Loss on ordinary activities before taxation	(59,379)	(53,779)
Loss on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 24% (period ended 31 March 2012: 26%)	(14,251)	(13,983)
<i>Effects of:</i>		
Depreciation in the year/period in excess of capital allowances	1,853	2,559
Expenses not deductible for tax purposes	13,569	9,766
Unrelieved tax losses	-	1,685
Utilisation of brought forward losses	(1,102)	-
Profit on disposals covered by capital losses	-	(138)
Other short term timing differences	(69)	111
Current tax credit for the year/period (note 8(a))	-	-

Factors affecting current and future tax charges

The group has estimated non-trade losses of £29.7 million (2012: £21.9 million) available for carry forward against future non-trade profits. Deferred tax assets of £6.8 million (2012: £5.2 million) in respect of these losses have not been recognised as their future recovery is uncertain or not currently anticipated.

The main rate of corporation tax was reduced from 26% to 24% from 1 April 2012. A further reduction to 23% from 1 April 2013 was substantively enacted on 3 July 2012 and the deferred tax asset at 31 March 2013 has been re-measured accordingly.

The budget announcement on 20 March 2013 included provisions to reduce the main rate of corporation tax to 21% by 1 April 2014 and to 20% by 1 April 2015. The changes had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements.

The overall effect of the further reductions from 23% to 20%, if these applied to the deferred tax balances at 31 March 2013, would be to reduce the deferred tax asset by £1.0 million (being £0.7 million expected to be recognised in 2014 and £0.3 million in 2015).

9 Parent company result

The company has taken advantage of Section 408(4) of the Companies Act 2006 and consequently a profit and loss account for the company is not presented.

The company's profit of £241,000 (period ended 31 March 2012: £198,000) arises solely from interest on loans to group undertakings.

Notes to the financial statements *(continued)*

10 Intangible fixed assets

Group	Goodwill £'000
<i>Cost</i>	
At 1 April 2012	570,248
Practice acquisitions (note 30)	28,772
Subsidiary acquisitions (note 30)	17,113
Fair value adjustments	1,537
Disposals	(4,253)
	<hr/>
At 31 March 2013	613,417
	<hr/> <hr/>
<i>Accumulated amortisation</i>	
At 1 April 2012	26,458
Charge for the year	29,329
Released on disposal	(364)
	<hr/>
At 31 March 2013	55,423
	<hr/> <hr/>
<i>Net book value</i>	
At 31 March 2013	557,994
	<hr/> <hr/>
At 31 March 2012	543,790
	<hr/> <hr/>

A number of changes have been made to the provisional fair value adjustments to the book values of acquired assets and liabilities reported in the 31 March 2012 financial statements. The cumulative effect of these changes is to increase the goodwill arising from the acquisitions of IDH and ADP by £1.54 million.

The revisions were required principally due to:

- An increase in the carrying value of creditors acquired to reflect pre-acquisition liabilities identified during the year.
- Adjustments to provisions relating to contractual lease obligations where settlement has subsequently been achieved.

Notes to the financial statements *(continued)*

11 Tangible fixed assets

Group	Freehold property £'000	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Total £'000
<i>Cost</i>				
At 1 April 2012	511	1,713	69,806	72,030
Acquisitions (note 30)	2,074	-	1,785	3,859
Additions	126	758	14,738	15,622
Disposals	-	-	(1,248)	(1,248)
At 31 March 2013	2,711	2,471	85,081	90,263
<i>Accumulated depreciation</i>				
At 1 April 2012	4	247	10,816	11,067
Charge for the year	34	322	11,459	11,815
Disposals	-	-	(798)	(798)
At 31 March 2013	38	569	21,477	22,084
<i>Net book value</i>				
At 31 March 2013	2,673	1,902	63,604	68,179
At 31 March 2012	507	1,466	58,990	60,963

As at 31 March 2013, no assets are held under finance leases or hire purchase contracts (2012: none).

Company

The company does not own any tangible fixed assets (2012: none).

Notes to the financial statements *(continued)*

12 Fixed asset investments

Company £'000

Investments at cost in subsidiary undertaking at 1 April 2012 and 31 March 2013 -

The company owns 100% of its immediate subsidiary, Turnstone Midco 1 Limited. The cost and book value of its investment in that entity is £1.

The table below provides details of the company's subsidiary undertakings. All companies are indirectly owned with the exception of Turnstone Midco 1 Limited. All of the non-trading entities are holding companies for investments in other group companies.

The group holds 100% of the ordinary share capital of all of the companies listed (with the exception of Denture Excellence Limited, in which the group holds 75% of the ordinary share capital) and all companies are included in the consolidation.

In the opinion of the directors the value of the company's investment in its subsidiaries is not less than the amount at which it is shown in the balance sheet.

Name of subsidiary	Principal activity	Country of incorporation
Turnstone Midco 1 Limited	Non-trading	England
Turnstone Midco 2 Limited	Non-trading	England
Turnstone Bidco 1 Limited	Non-trading	England
@TheDentist Ltd	Dormant	England
1A Dental Practice Limited	Dental practices	England
Adelstone Dental Care Limited	Dental practices	England
ADP Ashford Ltd	Dental practices	England
ADP Dental Company Limited	Dental practices	England
ADP Healthcare Acquisitions Limited	Non-trading	England
ADP Healthcare Limited	Dormant	England
ADP Healthcare Services Limited	Non-trading	England
ADP Holdings Limited	Non-trading	England
ADP Mansfield Ltd	Dental practices	England
ADP No.1 Limited	Non-trading	England
ADP Yorkshire Ltd	Dormant	England
A-Z Dental Holdings (Subsidiary Number 1) Limited	Dormant	England
A-Z Dental Holdings (Subsidiary Number 2) Limited	Dormant	England
A-Z Dental Holdings Limited	Non-trading	England
Bramora Limited	Dental practices	England
Community Dental Centres Limited	Dental practices	England
Cromwell Dental Practice Limited	Dental practices	England
Dental Health Care Limited	Dormant	England
Dental Talent Tree (Recruitment) Limited	Dental recruitment	England
Denture Excellence Limited (75%)	Dental practices	England
Diverse Acquisitions Limited	Non-trading	England
Diverse Holdings Limited	Non-trading	England
Diverse Property Investments Limited	Non-trading	England
Du Toit and Burger Partnership (Harwich) Ltd	Dental practices	England
Du Toit and Burger Partnership (Ipswich) Ltd	Dental practices	England
Du Toit and Burger Partnership (Silvertown) Ltd	Dental practices	England
Du Toit and Burger Partnership (Stratford) Ltd	Dental practices	England
Du Toit and Burger Partnership (Sudbury) Ltd	Dental practices	England
Du Toit and Burger Partnership Limited	Dental practices	England
Durgan and Ashworth Dental Care Limited	Dental practices	England
Euxton (No 1) Limited	Dental practices	England
Fallowfield (No 1) Limited	Dental practices	England
Family Dental Care Limited	Dental practices	Scotland
Ffolliot Bird Associates Limited	Dental practices	England
First Choice Dental Limited	Dental practices	England
Fleetwood Practice Limited	Dental practices	England
Hessle Grange Dental Care Limited	Dental practices	England
Hirst and O'Donnell Ltd	Dental practices	England

Notes to the financial statements (continued)

12 Fixed asset investments (continued)

Name of subsidiary	Principal activity	Country of incorporation
IDH 324 & 325 Ltd	Dental practices	England
IDH 331 Ltd	Dental practices	England
IDH 341 Ltd	Dental practices	England
IDH 346 Ltd	Dental practices	England
IDH 363 Limited	Dental practices	England
IDH 403 Ltd	Dental practices	England
IDH 406 Ltd	Dental practices	England
IDH 418 Ltd	Dental practices	England
IDH 437 Ltd	Dental practices	England
IDH 441 to 444 Ltd	Dental practices	England
IDH 449 Limited	Dental practices	England
IDH 450 Limited	Dental practices	England
IDH 474 Limited	Dental practices	England
IDH 476 Limited	Dental practices	England
IDH 477 Limited	Dental practices	England
IDH 622 Limited	Dental practices	England
IDH Acquisitions Limited	Non-trading	England
IDH Group Limited	Non-trading	England
Integrated Dental Holdings Limited	Non-trading	England
Jackro Healthcare Services Limited	Dental practices	England
KH&GW Limited	Dental practices	England
M C Dentistry Limited	Dental practices	England
Mainstone Health Limited	Dental practices	England
MyDentist Limited	Dormant	England
Natural Management Ltd	Non-trading	England
Offerton Fold Dental Practice Ltd	Dental practices	England
Orthocentres Limited	Dental practices	England
Orthoworld 2000 Limited	Dental practices	England
Orthoworld Limited	Non-trading	England
OurDentist Ltd	Dormant	England
Padgate (No 1) Limited	Dental practices	England
Pearl Bidco Limited	Non-trading	England
Pearl Cayman 1 Limited	Non-trading	Cayman Islands
Pearl Cayman 2 Limited	Non-trading	Cayman Islands
Pearl Topco Limited	Non-trading	England
Petrie Tucker and Partners Limited	Dental practices	Scotland*
PJ Burridge Ltd	Dental practices	England
Priory House Dental Care Limited	Dental practices	England
Queensferry Dental Surgery Limited	Dental practices	England
Richard Flanagan & Associates Limited	Dental practices	England
S L S Dental Care Limited	Dental practices	England
Salcombe Dental Practice Limited	Dental practices	England
Shadeshire Limited	Non-trading	England
Silverdale Dental Care Ltd	Dental practices	England
South Tyneside Smiles Limited	Dental practices	England
Speed 8599 Limited	Dormant	England
Speed 8600 Limited	Dormant	England
The Crescent Specialist Dental Centre Ltd	Dental practices	England
The Plains' Dental Practice Limited	Dental practices	England
The Village Practice Ltd	Dental practices	England
Westhoughton (No 1) Limited	Dental practices	England
Whitecross Dental Care Limited	Dental practices	England
Whitecross Group Limited	Non-trading	England
Whitecross Healthcare Limited	Non-trading	England
Whitecross Supplies Limited	Dormant	England
Wishaw Cross Dental Care Limited	Dental practices	Scotland

*Countries of operation – England, Scotland and Wales

In addition to the limited companies listed above, the company controls 88 partnerships (2012: 65) through the appointment of members of the management team as partners, acting on behalf of certain group companies.

Notes to the financial statements *(continued)*

13 Stock

	Group 2013 £'000	Group 2012 £'000
Raw materials and consumables	6,238	5,727

The company holds no stock (2012: £Nil).

14 Debtors

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Trade debtors	2,259	-	2,110	-
Other debtors	756	-	1,746	-
Amounts owed by group undertakings	-	2,212	-	8,959
Amounts owed by related undertakings	161	-	-	-
Accrued interest	-	221	-	452
Prepayments and accrued income	17,513	-	15,175	-
Corporation tax recoverable	336	-	-	-
Deferred tax asset	7,553	-	5,842	-
	28,578	2,433	24,873	9,411

The amounts owed by group undertakings are in relation to loan notes issued by Turnstone Midco 1 Limited, the company's immediate subsidiary.

The amounts owed by related undertakings reflect expenses paid on behalf of Turnstone Management Investments Limited, a company registered in England and which holds investments in Turnstone Equityco 1 Limited on behalf of group management.

Deferred tax

The elements of deferred taxation are as follows:

	Group 2013 £'000	Group 2012 £'000
Accelerated capital allowances	9,341	8,355
Other short term timing differences	(1,788)	(2,513)
	7,553	5,842

	Group £'000
At 1 April 2012	5,842
Credit in the year (note 8)	2,304
Adjustment in respect of the previous period	(159)
Effect of change in tax rate	(237)
Arising from the acquisition of subsidiary undertakings (note 30)	(197)
At 31 March 2013	7,553

Notes to the financial statements (continued)

15 Creditors: amounts falling due within one year

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Bank and other loans (note 17)	10,893	-	15,894	-
Trade creditors	8,430	-	7,827	-
Amounts owed to group undertakings	-	3	-	-
Corporation tax	224	-	249	-
Other taxation and social security costs	1,330	-	1,272	-
Deferred consideration for acquisitions	2,912	-	920	-
Accruals and deferred income	42,162	-	35,265	-
	<u>65,951</u>	<u>3</u>	<u>61,427</u>	<u>-</u>

Included within accruals and deferred income falling due within one year are unamortised Government grants totalling £0.51 million (2012: £0.73 million). The amount amortised during the year was £0.67 million (period ended 31 March 2012: £0.75 million).

Included in bank loans are unamortised issue costs and associated professional fees of £3.74 million (2012: £3.43 million).

	Government grants £'000
At 1 April 2012	1,567
Grants received during the year	105
Unamortised grants acquired through acquisition of subsidiary	55
Amortisation (note 3)	(666)
	<u>1,061</u>
At 31 March 2013	<u>1,061</u>

16 Creditors: amounts falling due after more than one year

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Bank and other loans (note 17)	277,211	-	233,706	-
Loan notes	421,279	-	363,088	7,296
Preference shares classified as liabilities	29,282	-	26,152	-
Deferred consideration for acquisitions	1,302	-	938	-
Accruals and deferred income	551	-	841	-
	<u>729,625</u>	<u>-</u>	<u>624,725</u>	<u>7,296</u>

The above accruals and deferred income relate wholly to unamortised Government grants.

Included within bank loans are £12.12 million (2012: £15.87 million) of unamortised loan issue costs and associated professional fees.

Loan stock of £314.51 million was issued on 11 May 2011 to fund the acquisition of Pearl Topco Limited and ADP Healthcare Services Limited. Interest accrues on the principle amount at a rate of 12% per annum. Interest that remains unpaid on the anniversary of the note issue is capitalised. The notes are redeemable in full on 11 May 2021. At 31 March 2013, interest of £75.26 million was accrued on these notes (2012: £33.6 million).

Notes to the financial statements (continued)

16 Creditors: amounts falling due after more than one year (continued)

On 11 May 2011, loan notes of £7.11 million were issued to fund the acquisition of Pearl Topco Limited and ADP Healthcare Services Limited. Interest accrues on the principle amount at a rate of 4% per annum. The notes were redeemed in full, in conjunction with accrued interest of £0.43 million, on 9 November 2012.

On 31 August 2011, £7.00 million of loan notes were issued to support the group's dental practice acquisition programme. Interest accrues on the principle amount at 15% per annum. Interest that remains unpaid on the anniversary of the note issue is capitalised. The notes are redeemable in full on 31 August 2021. At 31 March 2013, interest of £1.75 million was accrued on these notes (2012: £0.61 million).

On 9 November 2012, £15.31 million of loan notes were issued to support the group's dental practice acquisition programme. Interest accrues on the principle amount at 12% per annum. Interest that remains unpaid on the anniversary of the note issue is capitalised. The notes are redeemable in full on 9 November 2022. At 31 March 2013, interest of £0.71 million was accrued on these notes.

On 30 November 2012, £0.69 million of loan notes were issued to support the group's dental practice acquisition programme. Interest accrues on the principle amount at 12% per annum. Interest that remains unpaid on the anniversary of the note issue is capitalised. The notes are redeemable in full on 9 November 2022. At 31 March 2013, interest of £0.03 million was accrued on these notes.

On 25 March 2013, £6.00 million of loan notes were issued to support the group's dental practice acquisition programme. Interest accrues on the principle amount at 15% per annum. Interest that remains unpaid on the anniversary of the note issue is capitalised. The notes are redeemable in full on 25 March 2023. At 31 March 2013, interest of £0.01 million was accrued on these notes.

A total of 23,627,422 £1 preference shares were issued at par on 11 May 2011 to fund the acquisition of Pearl Topco Limited and ADP Healthcare Services Limited. The preference shares have a fixed, cumulative dividend of 12% per annum and are repayable on the earlier of 11 May 2021 or an exit by majority shareholders. At 31 March 2013, 23,627,422 £1 preference shares were in issue (2012: 23,627,422). Preference share dividends of £5.65 million were accrued at 31 March 2013 (2012: £2.53 million).

17 Bank loans

The company does not hold any bank loans.

The group bank and other loans are repayable as follows:

	Group 2013 £'000	Group 2012 £'000
Bank loans		
Less than one year	14,630	19,333
Between one and two years	23,130	14,630
Between two and five years	266,206	79,437
After five years	-	155,500
	<hr/>	<hr/>
Total bank loans	303,966	268,900
Less: unamortised arrangement fees and related costs	(15,862)	(19,300)
	<hr/>	<hr/>
	288,104	249,600
	<hr/> <hr/>	<hr/> <hr/>

The bank loans are secured by a fixed charge over the group's freehold property assets, the book debts, the bank accounts, investments, goodwill and plant and machinery and by floating charges over the remaining assets of the group.

The group incurred total issue costs of £22.27 million in respect of the facilities entered into on 16 March 2011. Amounts were drawn down to fund the acquisition of Pearl Topco Limited and ADP Healthcare Services Limited on 11 May 2011 and further amounts have been drawn down during the financial year in order to acquire additional dental practices. The amortisation of arrangement fees and related costs has been allocated to the profit and loss account over the life of the facilities.

Notes to the financial statements (continued)

17 Bank loans (continued)

Bank loans are all denominated in Pound Sterling with details as follows:

- Facility A1 - £96.00 million has been fully drawn down. Interest is payable in arrears at the rate of LIBOR plus 4.25%. £17.76 million was repaid during the financial year (period ended 31 March 2012: £4.80 million). The balance at 31 March 2013 was £73.44 million (2012: £91.20 million).
- Facility A2 - £8.50 million has been fully drawn down. Interest is payable in arrears at the rate of LIBOR plus 4.25%. £1.57 million was repaid during the financial year (period ended 31 March 2012: £0.43 million). The balance at 31 March 2013 was £6.50 million (2012: £8.07 million).
- Facility B1 - £142.50 million has been fully drawn down. Interest is payable in arrears at the rate of LIBOR plus 4.75%. The balance at 31 March 2013 was £142.50 million (2012: £142.50 million).
- Facility B2 - £13.00 million has been fully drawn down. Interest is payable in arrears at the rate of LIBOR plus 4.75%. The balance at 31 March 2013 was £13.00 million (2012: £13.00 million).
- Capex/Acquisition facility – the group has a £85.00 million facility, of which £68.52 million has been drawn down as of 31 March 2013 (2012: £14.13 million). Interest is payable in arrears at LIBOR plus 4.50%.
- Revolving Facility – the group has a £10.00 million facility, of which £1.80 million has been drawn to cover the provision of a letter of credit (2012: £1.80 million). Interest is payable in arrears at the rate of LIBOR plus 4.50%.

On 31 May 2011, as part of an interest rate management strategy, the group entered into two interest rate contracts to swap LIBOR for a fixed rate. One contract for a notional principle amount of £107.50 million matures on 30 May 2014 and interest is fixed at 2.6024%. The second contract, also for a notional principle amount of £107.50 million, matures on 30 May 2014 and interest is fixed at 2.6024%. The fair value of the liability arising from these interest rate swap contracts at 31 March 2013 was £5.96 million.

On 12 April 2013, the group agreed an additional Capex/Acquisition facility of £50,000,000.

18 Provisions for liabilities

Group	Above market rental £'000	Vacant property and dilapidations £'000	Total £'000
At 1 April 2012	7,489	10,382	17,871
Arising from acquisitions (note 30)	64	220	284
Fair value adjustments (note 10)	(377)	(250)	(627)
Charged to the profit and loss account	-	27	27
Utilised in the financial year	(1,241)	(1,690)	(2,931)
Unwinding of discount	313	40	353
At 31 March 2013	6,248	8,729	14,977

Property provisions

The group has a number of properties where the rentals payable are in excess of the current market rents. Provision has been made to recognise the liability arising from the "above market rental" element of these leases.

The gross provision of £7.7 million (2012: £9.2 million) has been discounted to present value using a rate of 5% (2012: 5%).

The group has a number of vacant and partly sub-let leasehold properties arising from the closure of loss making practices. Provision has been made for the residual lease commitments, together with other outgoings, after taking into account existing sub-tenant arrangements. It is not assumed that the properties will be able to be sublet beyond the periods in the present sub-lease agreements.

Provision has also been made for the costs associated with contractual obligations to return practices to their original condition at the end of the lease and the costs of compliance with existing regulations.

The provisions are expected to be substantially utilised over the next five years.

Notes to the financial statements (continued)

19 Share capital

Group and company	Number issued	2013 £'000	Number issued	2012 £'000
<i>Allotted, called up and fully paid</i>				
"A1" Ordinary shares of £0.01	1,681,763	17	1,681,763	17
"A2" Ordinary shares of £0.04	18,236	1	18,236	1
"B" Ordinary shares of £0.04	291,332	12	216,600	9
	<u>1,991,331</u>	<u>30</u>	<u>1,916,599</u>	<u>27</u>

On 2 July 2012, 30,000 'B' ordinary shares were issued for consideration of £30,000.

On 31 July 2012, 33,000 'B' ordinary shares were issued for consideration of £33,000.

On 9 January 2013, 11,732 'B' ordinary shares were issued for consideration of £11,732.

The "B" ordinary shares were issued to Turnstone Management Investments Limited during the year.

The "A1" and "A2" ordinary shares rank pari-passu.

The "B" ordinary shares retain the same voting rights as the "A1" and "A2" ordinary shares but with restrictions on distributions in the event of a sale of the company.

20 Share premium reserve

Group and company	2013 £'000	2012 £'000
At 1 April 2012	1,890	-
Premium arising on shares issued during the year/period	71	1,890
	<u>1,961</u>	<u>1,890</u>
At 31 March 2013	1,961	1,890

21 Profit and loss reserve

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
At 1 April 2012	(51,564)	198	-	-
(Loss)/profit for the financial year/period	<u>(57,391)</u>	<u>241</u>	<u>(51,564)</u>	<u>198</u>
At 31 March 2013	(108,955)	439	(51,564)	198

Notes to the financial statements *(continued)*

22 Reconciliation of movements in shareholders' (deficit)/funds

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
(Loss)/profit for the financial year/period	(57,391)	241	(51,564)	198
Ordinary shares issued	3	3	27	27
Share premium arising on issue of ordinary shares	71	71	1,890	1,890
	<hr/>	<hr/>	<hr/>	<hr/>
Net increase in shareholders' (deficit)/funds	(57,317)	315	(49,647)	2,115
	<hr/>	<hr/>	<hr/>	<hr/>
Opening shareholders' (deficit)/funds	(49,647)	2,115	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' (deficit)/funds	(106,964)	2,430	(49,647)	2,115
	<hr/>	<hr/>	<hr/>	<hr/>

23 Contingent liabilities

Assigned leases

When disposing of practices, the group has generally assigned the associated leases to the purchaser. In the event that the purchaser defaults on their lease payments and should the landlord be unable to mitigate their losses sufficiently, then there is an obligation on the group to take on these lease commitments.

In the opinion of the directors such eventualities are unlikely, as practices have been disposed of as going concerns, and as a result there is no such provision against such eventualities made in these financial statements. The group has no experience of any leases that it has assigned, in relation to dental practices, reverting back to it.

Partnership guarantees

A number of individuals in the management team have joined partnerships as part of the group's acquisition of the trade and assets of those partnerships. The partners hold their interest in the partnership under a trust deed on behalf of one of the group companies. In order to indemnify the partners against specific risks in relation to this arrangement, a guarantee is in place supported by a letter of credit from the group's bank for £1.80 million (2012: £1.80 million).

24 Commitments under operating leases

At 31 March 2013, the group had annual commitments under non-cancellable operating leases as follows:

	Group 2013 £'000	Group 2012 £'000
Land and buildings:		
Expiring within one year	130	288
Expiring between two and five years	1,485	1,525
Expiring after five years	8,273	7,701
	<hr/>	<hr/>
	9,888	9,514
	<hr/>	<hr/>
Other:		
Expiring within one year	55	34
Expiring between two and five years	543	484
	<hr/>	<hr/>
	598	518
	<hr/>	<hr/>

Notes to the financial statements *(continued)*

25 Pension commitments

Group

The group operates two defined contribution pension schemes. The pension cost charge for the financial year represents contributions payable by the group to the schemes and amounted to £nil (period ended 31 March 2012: £nil).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2012: £nil).

The group also operates a pension scheme providing benefits based on final pensionable pay. The pension scheme was acquired as part of the acquisition of Pearl Topco Limited. The scheme is closed to new members and has no active members.

Over the year to 31 March 2013 the group did not contribute directly to the scheme, however, the cost of insuring death in service benefits and other trustee expenses were paid by the group and amounted to £30,000 (2012: £38,000). The group does not expect to make contributions to the scheme or for the costs of the scheme to change significantly in the next financial year.

The latest full actuarial valuation for which results are available, was carried out as at 6 April 2011 and was updated for FRS 17 'Retirement benefits' purposes to 31 March 2013 by a qualified independent actuary.

The major assumptions used in this valuation were:

	2013	2012
Expected return on plan assets	4.6%	5.2%
Rate of increase in pensions in payment and deferred pensions	3.4%	3.3%
Discount rate applied to scheme liabilities	4.0%	4.7%
Inflation assumption	3.4%	3.3%

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires at the age of 65 in 2013 will on average live for a further 24.5 years (2012: 24.4 years) after retirement if they are male and 26.4 years (2012: 26.2 years) if they are female.

Notes to the financial statements *(continued)*

25 Pension commitments *(continued)*

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, were:

	Percentage of plan assets 2013	Value at 31 March 2013 £'000	Percentage of plan assets 2012	Value at 31 March 2012 £'000
Equities	28%	1,301	24%	1,020
Bonds	70%	3,266	73%	3,101
Property	1%	61	2%	84
Cash	1%	17	1%	8
		<hr/>		<hr/>
Total market value of assets	100%	4,645	100%	4,213
Present value of scheme liabilities		(4,558)		(3,717)
		<hr/>		<hr/>
Surplus in the scheme – pension asset		87		496
Related deferred tax liability		-		-
		<hr/>		<hr/>
Net pension asset		87		496
		<hr/>		<hr/>

The figures show the scheme to be in surplus as at 31 March 2013. A surplus can only be recognised to the extent that it is recoverable through reduced future contributions or by a refund from the scheme. As the scheme is paid up and there is no agreement with the trustees to refund any monies, the surplus has not been regarded as recoverable and has not been recognised on this basis.

The amounts for other finance income and the actuarial loss arising from the actual and expected return on assets and the changes in assumptions underlying the present value of scheme liabilities have not been recognised in the profit and loss account and the statement of total recognised gains and losses on the grounds of materiality.

The expected rates of return on the assets in the scheme were:

	Long term rate of return 2013 %	Long term rate of return 2012 %
Equities	8.00	8.00
Bonds	3.50	4.50
Property	6.25	6.25
Cash	1.50	3.50

The expected returns have been based on the current split by investment sector of the assets of the scheme, using average expected returns for each sector. The expected returns have been reduced to allow for expected investment expenses.

Notes to the financial statements *(continued)*

25 Pension commitments *(continued)*

Movement in surplus during the year/period:

	2013 £'000	2012 £'000
Surplus in the scheme at the start of the year/period	496	921
Past service cost	(21)	(59)
Contributions paid	-	38
Other finance income	43	54
Actuarial loss	(431)	(458)
	<hr/>	<hr/>
Surplus in the scheme at the end of the year/period	87	496
	<hr/>	<hr/>

Changes in the present value of the defined benefit obligation are as follows:

	2013 £'000	2012 £'000
Opening defined benefit obligation	(3,717)	(3,214)
Past service cost	(21)	(59)
Interest cost	(173)	(150)
Actuarial loss	(730)	(617)
Benefits paid	83	323
	<hr/>	<hr/>
Closing defined benefit obligation	(4,558)	(3,717)
	<hr/>	<hr/>

Changes in the fair value of plan assets are as follows:

	2013 £'000	2012 £'000
Opening market value of plan assets	4,213	4,135
Expected return on scheme assets	216	204
Actuarial gain	299	159
Contributions by employer	-	38
Benefits paid	(83)	(323)
	<hr/>	<hr/>
Closing market value of assets	4,645	4,213
	<hr/>	<hr/>

Analysis of amounts that would be included in other finance income

	2013 £'000	2012 £'000
Expected return on pension scheme assets	216	204
Interest cost on pension scheme liabilities	(173)	(150)
	<hr/>	<hr/>
	43	54
	<hr/>	<hr/>

Notes to the financial statements (continued)

25 Pension commitments (continued)

Analysis of amount that would be recognised in the statement of total recognised gains and losses

	2013 £'000	2012 £'000
Actual return less expected return on scheme assets	299	159
Experience gains and losses arising on scheme liabilities	(22)	(103)
Changes in assumptions underlying the present value of scheme liabilities	(708)	(514)
	<hr/>	<hr/>
Actuarial loss	(431)	(458)
	<hr/>	<hr/>

The group does not expect to make any contributions to the pension scheme during the next financial year.

Five year record

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Defined benefit obligation	(4,558)	(3,717)	(3,214)	(2,968)	(2,037)
Plan assets	4,645	4,213	4,135	3,789	3,448
Surplus	87	496	921	821	1,411
Experience adjustments on plan liabilities	(22)	(103)	-	(48)	45
Experience adjustments on plan assets	299	159	138	327	(500)

Note that, in order to provide comparable information, the five year historical disclosures provided above reflect the accounts of Pearl Topco Limited for the years ended 2009, 2010 and 2011.

26 Reconciliation of operating profit to net cash inflow from operating activities

	Group Year ended 31 March 2013 £'000	Group 15 month period to 31 March 2012 £'000
Operating profit	14,494	7,351
Amortisation of goodwill	29,329	26,803
Depreciation	11,815	11,196
Amortisation of grant income	(666)	(749)
Increase in stock	(461)	(736)
(Increase)/decrease in debtors	(2,741)	1,828
Increase/(decrease) in creditors	4,951	(8,883)
Decrease in provisions	(2,903)	(1,694)
	<hr/>	<hr/>
Net cash inflow from operating activities	53,818	35,116
	<hr/>	<hr/>

Notes to the financial statements (continued)

27 Analysis of cash flows

	Group Year ended 31 March 2013 £'000	Group 15 month period to 31 March 2012 £'000
Returns on investment and servicing of finance		
Senior facility loan interest paid	(14,264)	(12,695)
Interest rate swap cash paid	(3,799)	(2,517)
Bank interest received	37	30
Bank loan arrangement fees and associated professional costs	-	(22,222)
Syndicate charges paid	(1,489)	(1,257)
	<hr/>	<hr/>
Net cash outflow for returns on investments and servicing of finance	(19,515)	(38,661)
	<hr/>	<hr/>
Capital expenditure		
Purchase of tangible fixed assets	(14,183)	(13,619)
Capital grants received	105	154
Purchase of freehold property	(389)	(267)
Proceeds on sale of freehold property and other tangible fixed assets	-	1,714
	<hr/>	<hr/>
Net cash outflow for capital expenditure	(14,467)	(12,018)
	<hr/>	<hr/>
Acquisitions and disposals		
Consideration in respect of the acquisition of Pearl Topco Limited and ADP Healthcare Services Limited	-	(578,529)
Cash acquired on acquisition of Pearl Topco Limited and ADP Healthcare Services Limited	-	7,664
Acquisition of other subsidiary undertakings (including associated costs)	(17,531)	(13,129)
Cash acquired on acquisition of subsidiary undertakings	1,922	-
Acquisition of practices (including associated costs)	(29,369)	(6,970)
Proceeds from sale of practices (net of costs)	797	4,153
Deferred consideration paid	(1,305)	(1,668)
Professional fees paid in respect of acquisitions in progress at the balance sheet date	(137)	-
	<hr/>	<hr/>
Net cash outflow for acquisitions and disposals	(45,623)	(588,479)
	<hr/>	<hr/>
Financing		
Drawdown of bank loans	54,399	274,125
Repayment of senior bank loans	(19,333)	(5,225)
Proceeds from issue of preference shares	-	23,627
Proceeds from issue of loan notes	22,000	328,617
Redemption of loan notes (including accrued interest)	(7,520)	-
Proceeds of equity share issue	74	1,917
	<hr/>	<hr/>
Net cash inflow from financing	49,620	623,061
	<hr/>	<hr/>

Notes to the financial statements (continued)

28 Reconciliation of net cash flow to movement in net debt

	Group Year ended 31 March 2013 £'000	Group 15 month period to 31 March 2012 £'000
Increase in cash in the financial year	23,497	19,019
Drawdown of bank loans (net of loan arrangement fees)	(54,399)	(251,855)
Repayment of bank loans	19,333	5,225
Redemption of loan notes (including accrued interest)	7,520	-
Issue of loan notes	(22,000)	(328,617)
Issue of preference shares	-	(23,627)
Total cash movement in net debt	(26,049)	(579,855)
Accrued loan interest	(43,711)	(34,471)
Accrued preference share dividends	(3,130)	(2,525)
Amortisation of loan arrangement fees	(3,438)	(2,970)
Total non-cash movement in net debt	(50,279)	(39,966)
Total movement in net debt	(76,328)	(619,821)
Net debt brought forward	(619,821)	-
Net debt carried forward	(696,149)	(619,821)

29 Analysis of changes in net debt

	At the start of the year £'000	Cash- flows £'000	Other non-cash changes £'000	At end of the year £'000
Cash and cash equivalents				
Cash at bank and in hand	19,019	23,497	-	42,516
Debt				
Senior bank loans	(249,600)	(35,066)	(3,438)	(288,104)
Loan notes	(363,088)	(14,480)	(43,711)	(421,279)
Preference shares	(26,152)	-	(3,130)	(29,282)
Total debt	(638,840)	(49,546)	(50,279)	(738,665)
Total net debt	(619,821)	(26,049)	(50,279)	(696,149)

Notes to the financial statements (continued)

30 Acquisitions

Corporate acquisitions

During the year the group acquired the entire issued share capital of 9 companies. None of these acquisitions were material in their own right; the details are shown in aggregate below:

Name of acquisition	Date of acquisition
Queensferry Dental Surgery Limited	1 May 2012
Offerton Fold Dental Practice Limited	24 July 2012
Fleetwood Practice Limited	6 September 2012
The Village Practice Ltd	8 September 2012
Family Dental Care Limited	28 September 2012
Wishaw Cross Dental Care Limited	25 October 2012
Shadeshire Limited (non-trading)	15 March 2013
M C Dentistry Limited	15 March 2013
1A Dental Practice Limited	28 March 2013

	Book value	Provisional fair value adjustments	Fair value
	£'000	£'000	£'000
Tangible fixed assets	1,364	-	1,364
Stock	56	-	56
Debtors	20	-	20
Cash	1,922	-	1,922
Creditors	(885)	-	(885)
Deferred taxation	(197)	-	(197)
Provisions	-	(87)	(87)
	<hr/>	<hr/>	<hr/>
Net liabilities acquired	2,280	(87)	2,193
Goodwill			17,113
			<hr/>
			19,306
			<hr/> <hr/>
Satisfied by:			
Cash			16,919
Deferred consideration			1,723
Acquisition expenses			664
			<hr/>
			19,306
			<hr/> <hr/>

Included within the cash consideration are loans made by the acquiring entities to the acquired company in order to settle vendor shareholder loans of £1.6 million.

The adjustment to provisions results from properties where the lease terms upon acquisition are such that rentals payable are in excess of the current market rents. Provision has been made to recognise the liability arising from the "above market rental" element of these leases. Provision has also been made for the costs associated with contractual obligations to return practices to their original condition at the end of the lease and the costs of compliance with existing regulations.

Notes to the financial statements *(continued)*

30 Acquisitions *(continued)*

Unincorporated acquisitions

The group also acquired the businesses of 36 unincorporated dental practices in the year. None of these acquisitions were material in their own right; the details are shown in aggregate below.

	Book value	Provisional fair value adjustments	Fair value
	£'000	£'000	£'000
Tangible fixed assets	2,495	-	2,495
Stock	16	-	16
Creditors	(112)	-	(112)
Provisions	-	(197)	(197)
	<hr/>	<hr/>	<hr/>
Net liabilities acquired	2,399	(197)	2,202
Goodwill			28,772
			<hr/>
			30,974
			<hr/> <hr/>
Satisfied by:			
Cash			27,792
Deferred consideration			1,365
Acquisition expenses			1,817
			<hr/>
			30,974
			<hr/> <hr/>

Of these acquisitions, 27 were via the acquisition of trade and assets from partnerships, which retain control of the NHS contract. The partners hold their interest in the partnership on behalf of group companies under a deed of trust.

The adjustment to provisions results from properties where the lease terms upon acquisition are such that rentals payable are in excess of the current market rents. Provision has been made to recognise the liability arising from the "above market rental" element of these leases. Provision has also been made for the costs associated with contractual obligations to return practices to their original condition at the end of the lease and the costs of compliance with existing regulations.

31 Post balance sheet events

On 2 April 2013, the group acquired the entire share capital of DH Dental Holdings Limited.

On 16 April 2013, the group acquired 94.02% of the issued share capital of DBG Topco Limited.

Since 31 March 2013, the group has acquired 3 unincorporated dental practices and 5 incorporated dental practices.

The total consideration was £50.8 million.

Notes to the financial statements *(continued)*

32 Related party transactions

Bank loans

Certain funds managed by The Carlyle Group are members of the banking syndicate providing facilities to the group. These are considered to be related parties due to common control.

At 31 March 2013, the following amounts were held of the group's senior debt.

	Group 2013 £'000	Group 2012 £'000
CELF Loan Partners BV	3,000	3,000
CELF Loan Partners II Plc	3,000	3,000
CELF Loan Partners III Plc	3,000	3,000
CELF Loan Partners IV Plc	4,000	8,000
CELF Loan Leveraged Partners BV	3,000	3,000
	<hr/> 16,000 <hr/>	<hr/> 20,000 <hr/>

Shareholder loans

CEP III IHP S.a.r.l., an entity controlled by The Carlyle Group, and a related party due to common control, holds £277.05 million of loan notes in the company's subsidiary, Turnstone Midco 1 Limited (2012: £260.28 million). During the year to 31 March 2013, interest of £35.22 million was charged (period ended 31 March 2012: £27.70 million). The total amount of accrued interest due at 31 March 2013 is £62.92 million (2012: £27.70 million).

ADP Primary Care Acquisitions Limited, an entity controlled by Palamon Capital Partners and a related party due to common control, holds £66.46 million of loan notes in the company's subsidiary, Turnstone Midco 1 Limited (2012: £61.23 million). During the year to 31 March 2013, interest of £8.34 million was accrued (period ended 31 March 2012: £6.51 million). The total amount of accrued interest due at 31 March 2013 is £14.85 million (2012: £6.51 million).

ADP Primary Care Acquisitions Limited also holds preference shares in Turnstone Midco 1 Limited with a par value of £20.00 million (2012: £20.00 million). During the year to 31 March 2013, dividends of £2.65 million were accrued (period ended 31 March 2012: £2.14 million). The total amount of accrued dividends due at 31 March 2013 is £4.79 million (2012: £2.14 million).

33 Controlling party

At 31 March 2013 the immediate parent undertaking of Turnstone Equityco 1 Limited was CEP III IHP S.a.r.l., a company registered in Luxembourg.

No other group financial statements include the results of the group. Turnstone Equityco 1 Limited is the parent undertaking of the smallest and largest group to consolidate these financial statements.

At 31 March 2013 and throughout the year, the ultimate controlling party of Turnstone Equityco 1 Limited is considered by the directors to be CEP III Participations S.a.r.l. SICAR, an investment vehicle for The Carlyle Group.